National Energy Board | Office national de l'énergie

National Energy Board

2011 - 12

Departmental Performance Report

The original was signed by

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Chair and CEO
National Energy Board

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Message from the Chair and CEO

I am pleased to present the National Energy Board's (NEB or Board) *Departmental Performance Report* for 2011-12. The NEB's mandate is to regulate pipelines, international power lines and designated interprovincial power lines under federal jurisdiction, and energy development and trade in the Canadian public interest. It is the Board's responsibility to hold those we regulate accountable for results that are in the public interest.

During 2011-12, the NEB launched an Action Plan on Safety and Environmental Protection that sets the foundation to improve outcomes in worker safety, integrity of installations, damage prevention, and emergency preparedness and response. We strengthened our regulatory framework, improved the communication of our expectations to regulated companies and made NEB program information and enforcement actions more accessible to the public.

It is the Board's expectation that a regulated company's approach to operating is systematic, comprehensive and proactive in managing risks, and that this approach is appropriately integrated into a company's overall management system throughout the project lifecycle. To that end, we finalized a Proposed Regulatory Change in 2011 for the *Onshore Pipeline Regulations, 1999*, which clarifies the NEB's expectations regarding the development and implementation of management systems. We also developed new pipeline performance measures and reporting requirements. These changes will promote continual improvement of performance with regard to safety, security and environmental protection.

Other significant accomplishments over the past year include key refinements to the *Filing Manual*, the completion of a review of offshore drilling in the Canadian Arctic, and the release of filing requirements for offshore drilling in the Canadian Arctic. We provided support to the Joint Review Panel that is reviewing the application on the Enbridge Northern Gateway Project, we initiated a major review of TransCanada's tolls in response to a restructuring proposal filed by TransCanada and alternatives proposed by intervenors, and we announced a public hearing on the cost of pipeline abandonment. The NEB also entered into three new Memoranda of Understanding with other government organizations that will increase efficiencies and improve services for Canadians.

The NEB takes all available actions to protect Canadians and the environment and requires regulated companies to anticipate, prevent, manage and mitigate potentially dangerous conditions associated with their pipelines. We will continue to review all areas of our business to determine where improvements can be made. The NEB is made up of knowledgeable and skilled Board Members and staff who are committed to meeting our mandate on behalf of Canadians.

The original was signed by

Gaétan Caron
Chair and CEO

Section I
Organizational Overview

Raison d'être

The National Energy Board is an independent federal quasi-judicial regulatory tribunal established in 1959 to promote safety and security, environmental protection, and economic efficiency in the Canadian public interest within the mandate set by Parliament for the regulation of pipelines, energy development and trade.

Responsibilities

The main responsibilities of the NEB are established in the *National Energy Board Act* (NEB Act) and include regulating:

- The construction, operation, and abandonment of pipelines that cross international borders or provincial/territorial boundaries, as well as the associated pipeline tolls and tariffs;
- The construction and operation of international power lines and designated inter-provincial power lines; and
- Imports of natural gas and exports of crude oil, natural gas liquids, natural gas, refined petroleum products and electricity.

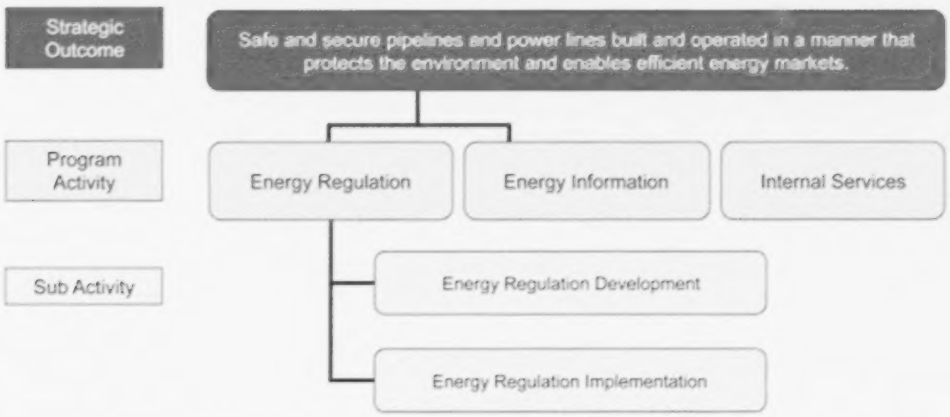
Additionally, the Board has regulatory responsibilities for oil and gas exploration and production activities on frontier lands not otherwise regulated under joint federal/provincial accords. These regulatory responsibilities are set out in the *Canada Oil and Gas Operations Act* and the *Canada Petroleum Resources Act*. These responsibilities apply to the west coast offshore, the Northwest Territories, Nunavut, the Arctic offshore, Hudson Bay, parts of the Gulf of St. Lawrence and Bay of Fundy, and onshore Sable Island.

The NEB conducts an environmental assessment (EA) during its review of facility applications for projects under its jurisdiction. For certain projects, an EA is also required by federal legislation such as the *Canadian Environmental Assessment Act, 2012*, the *Mackenzie Valley Resource Management Act*, the *Inuvialuit Final Agreement* or the *Nunavut Land Claims Agreement*. Certain Board inspectors are appointed Health and Safety Officers by the Minister of Labour to administer Part II of the Canada Labour Code as it applies to NEB-regulated facilities and activities.

The Board also monitors aspects of energy supply, demand, production, development and trade that fall within the jurisdiction of the federal government. The Board reports to Parliament through the Minister of Natural Resources.

Strategic Outcome and Program Activity Architecture (PAA)

The diagram below illustrates the NEB's strategic outcome and program activity architecture. The Board's program activities and program sub-activities all contribute to achieving the strategic outcome.


Strategic Outcome
Safe and secure pipelines and power lines built and operated in a manner that protects the environment and enables efficient energy markets.
Program Activity
Energy Regulation
Energy Information
Internal Services
Sub Activity
Energy Regulation Development
Energy Regulation Implementation

Organizational Priorities

The following organizational priorities were the focus of the Board's attention and resources during this reporting period. These priorities are aimed at continuing to deliver on the Board's strategic outcome.

Summary of Progress Against Priorities

Priority	Type[1]	Strategic Outcome and/or Program Activity(ies)
Provide a clear and coherent regulatory framework	Ongoing	Energy Regulation

Status:

In order to deliver on its strategic outcome, the NEB has put a regulatory framework in place to promote safety and security, environmental protection, and efficient energy infrastructure and markets in the Canadian public interest.

- Completed a review of offshore drilling in the Canadian Arctic, as well as drilling requirements for offshore drilling in the Canadian Arctic.
- Issued a notice of a Proposed Regulatory Change as a proposed amendment to the *Onshore Pipeline Regulations, 1999* (OPR-99) to clarify the NEB's expectations regarding the development and implementation of NEB-regulated company management systems.
  - NEB-regulated companies are expected to take a systematic approach to manage and reduce risks related to safety and environmental protection.
  - NEB-regulated companies are accountable for the effectiveness of their management systems.
- Amended the Environmental and Socioeconomic Assessment section of the *Filing Manual* and completed nine other technical edits to increase clarity.
- Identified key issues and developed a plan to achieve regulatory clarity for damage prevention.
- Signed three Memoranda of Understanding with federal government organizations to improve efficiencies and share expertise.

Priority	Type	Strategic Outcome and/or Program Activity(ies)
Improve performance of regulated companies	Previously committed to	Energy Regulation

Status:

The NEB's ability to influence the behaviour of NEB-regulated companies in key areas (i.e. safety, environment, public participation, financial integrity, emergency management, and security) significantly contributes to the achievement of its strategic outcome.

- Launched an Action Plan on Safety and Environmental Protection to improve results in worker safety, integrity of installations, damage prevention and emergency preparedness and response.
- Developed leading performance indicators to promote safety, security and environmental protection.
- Published the *Remediation Process Guide* for spill clean-up.
- Issued a direction to all oil and gas companies regulated under the NEB Act - Direction to comply with NEB Order MO-21-2010 - An Exemption Order Respecting Crossings by Agricultural Vehicles or Mobile Equipment.
- Improved public accessibility of information about NEB programs and the performance of regulated companies.

Priority	Type	Strategic Outcome and/or Program Activity(ies)
Provide timely regulatory decisions in the Canadian public interest	Previously committed to	Energy Regulation

Status:

The Board's ability to provide timely regulatory decisions is a cornerstone of delivering on its strategic outcome by helping to ensure that the rights and interests of those affected by NEB-regulated facilities and activities are respected and to enable efficient energy markets.

- Met 16 of the 21 regulatory service standards.
- Issued 14 hearing decisions on major applications, compared to six in the previous year.
    - The NEB met its service standard target for Reasons for Decisions.
- Met four of four landowner complaint service standards.
- Continued implementation of the Participant Funding Program and approved funding for nine applicants.

Priority	Type	Strategic Outcome and/or Program Activity(ies)
Provide relevant, neutral and credible energy information	Previously committed to	Energy Information

Status:

Through its Energy Information Program, the NEB provides a range of energy information products to help Canadians better understand energy use in Canada and the Board's regulatory role.

- Streamlined the Energy Information Program to better align work activities within the NEB's mandate.
- Published a range of energy information reports and energy market information such as: *Canada's Energy Future: Energy Supply and Demand Projections to 2035; Short-term Canadian Natural Gas Deliverability 2011-2013; Tight Oil Developments in the Western Canada Sedimentary Basin; Ultimate Potential for Unconventional Natural Gas in Northeastern British Columbia's Horn River Basin;* and the annual *Canadian Energy Overview.*
- Started the redesign of the energy information web pages to improve accessibility.

Priority	Type	Strategic Outcome and/or Program Activity(ies)
Ensure the NEB has the capacity to effectively deliver on its mandate	Ongoing	Internal Services

Status:

Effective management and leadership support the achievement of the NEB's strategic outcome by enhancing organizational performance.

- Updated the People Strategy with a renewed focus on work-life balance, engagement and leadership.
- Began the design of an integrated planning process that links the Board's strategic and business planning processes to a Human Resources plan for the organization.
- Developed the Regulatory Resourcing Framework, a new approach for the effective use of resources while maintaining a healthy and productive work environment.
- Enhanced the monitoring and reporting of corporate performance by the adoption of a quarterly balanced scorecard.

Risk Analysis

Operating Context

The NEB operates within an evolving economic, environmental and social landscape. Dynamics such as high levels of sovereign debt in industrialized economies worldwide and an abundant energy supply in North America have impacted energy markets. Energy production, led by growth in petroleum and electricity generation sectors, is estimated to have increased by 3.0 per cent in 2011 compared to 1.1 per cent in 2010. Reduced energy use in industry and transportation slowed Canadian secondary energy consumption growth to an estimated increase of 1.8 per cent in 2011, down from 2.2 per cent in 2010.

Canadian crude oil production increased by six per cent in 2011, compared to five per cent in 2010. The increase is largely attributable to additional oil sands activity. Mined bitumen production, in situ bitumen production and upgrading all reached new highs in 2011.

Canadian natural gas production in 2011 was about equal to production in 2010, while natural gas consumption increased by eight per cent compared to 2010. Natural gas exports fell 14 per cent in 2011 compared to 2010. The impact on natural gas prices of rising U.S. shale gas production was offset for part of the year by additional demand from a cold winter and hot summer. Prices declined later in 2011 as milder weather arrived to moderate demand. The decline in prices made most new dry natural gas drilling uneconomic, pushing producers to target liquid-rich natural gas where the natural gas liquid revenue supplemented the reduced revenue from produced gas.

Renewable electricity generation increased by 7.7 per cent in 2011, and led to an estimated 3.2 per cent increase in total electricity production over 2010. The increase in renewable generation was partially offset by a 9.7 per cent decrease in thermal generation as Ontario retired coal units and reduced the output of several remaining units. Canadian electricity demand is estimated to have increased by 1.3 per cent in 2011 compared to 0.5 per cent in 2010. Electricity demand increased by about three per cent

in the western provinces, while demand in some eastern provinces such as Ontario and New Brunswick declined.[2]

Parliamentarians and the public have shown an increased interest in the energy industry, the safety and environmental impacts of energy pipeline failures, and the role of the public in influencing regulatory and political decisions regarding the development of Canada's energy industry. In addition, the NEB was considerably affected by a tight Calgary labour market for skilled workers, increased applications, public hearings and requests under the *Access to Information Act*.

Risk Implications and Strategies

The Board's top priorities are the protection of the environment, and the safety of the public and the people who build and operate NEB-regulated pipeline facilities. The Board has taken action to hold those we regulate accountable for results in the public interest with a rigorous compliance monitoring and enforcement program. As part of its Action Plan on Safety and Environmental Protection, the NEB remains committed to public access to information on the performance of industry with respect to safety and environmental protection. Information available to the public is clear, relevant, easy to understand, and accessible. Currently, information about the NEB's safety and environmental protection programs is available in the NEB's Annual Report to Parliament, other Board publications, the NEB's website, and on request.

The number of requests under the *Access to Information Act* continued to remain high in 2011-12. To help improve service, the NEB recruited and trained new Access to Information and Privacy Analysts, and examined its information management processes. It is expected that, with more training, compliance rates will increase in future reporting years.

NEB staff are the organization's foundation. The skills and experience needed by the NEB are in high demand throughout the oil and gas industry. The NEB has experienced increasing attrition rates and difficulty staffing, highlighting a potential return to the very competitive hiring environment for skilled staff within the energy sector of recent years. To mitigate this risk, the NEB initiated a strong and strategic focus on recruitment and retention. The human resources management focus of the NEB is on ensuring it has the right people, at the right time, for the right jobs.

The Board also developed a new approach for dealing with resources on regulatory matters. The Regulatory Resourcing Framework was developed to ensure resources are used more effectively while maintaining a healthy and productive work environment. These steps have helped the NEB manage its increased workload.

Summary of Performance

2011-12 Financial Resources ($ millions)

Planned Spending	Total Authorities	Actual Spending
63.1	68.0*	64.4**

* Received $2.8 million at year end for Collective Agreement in allowances to cover the period from 1 November 2011 to 31 March 2012. As well, a further $1.6 million was received from Natural Resources Canada for the Arctic Review

** Participant Funding Program under-spent by $1.1 million; salaries under-spent by $1.1million; Hearing budget under-spent by $0.8 million

2011–12 Human Resources (full-time equivalents [FTEs])

Planned	Actual	Difference
393.6	393.0	(0.6)

Summary of Performance Tables

Progress Toward Strategic Outcome

Strategic Outcome: Safe and secure pipelines and power lines built and operated in a manner that protects the environment and enables efficient energy markets.		
Performance Indicators	**Targets**	**2011–12 Performance[3]**
Frequency of serious injuries and pipeline failures	0 serious injuries and 0 pipeline ruptures; assessed via reported incidents and year by year improvement	Serious injuries: Four. This is an increase from zero serious injuries in 2010-11. Fatalities: Two. This is an increase from one fatality in 2010-11. Pipeline ruptures: Zero. No gas pipeline ruptures occurred. This is a decrease from one rupture in 2010-11.
Frequency of major releases into the environment (Major release = greater than 100 m^3 of liquid hydrocarbon)	0 releases; assessed via reported incidents and year by year improvement	Major releases >100m3: Two. This is an increase from zero major releases in 2010-11.

Performance Indicators	Targets	2011–12 Performance[3]
Canadian energy and transportation markets are working well	Adequate oil and natural gas pipeline capacity in place based on pipeline utilization; similar Canadian and US energy markets have equivalent pricing; pipeline companies provide services which meet the needs of shippers	There was some apportionment on Canadian crude oil pipelines in 2011-12, indicating reduced capacity. This was due to strong crude oil supply growth, pressure restrictions imposed by the NEB and planned maintenance resulting in capacity restrictions. There was spare capacity on most natural gas pipelines as throughputs declined. Overall, oil and gas prices continue to track North American price benchmarks.

Performance Summary, Excluding Internal Services

Program Activity	2010–11 Actual Spending ($ millions)	2011–12 ($ millions)				Alignment to Government of Canada Outcome
		Main Estimates	Planned Spending	Total Authorities	Actual Spending	
Energy Regulation	30.8	36.0	37.4	38.8	34.9	Strong Economic Growth
Energy Information	7.2	4.6	5.0	8.2	8.2	Strong Economic Growth
Total	38.0	40.6	42.4	47.0	43.1	

Performance Summary for Internal Services

Program Activity	2010–11 Actual Spending ($ millions)	2011–12 ($ millions)			
		Main Estimates	Planned Spending	Total Authorities	Actual Spending
Internal Services	20.8	19.3	20.7	21.0	21.3

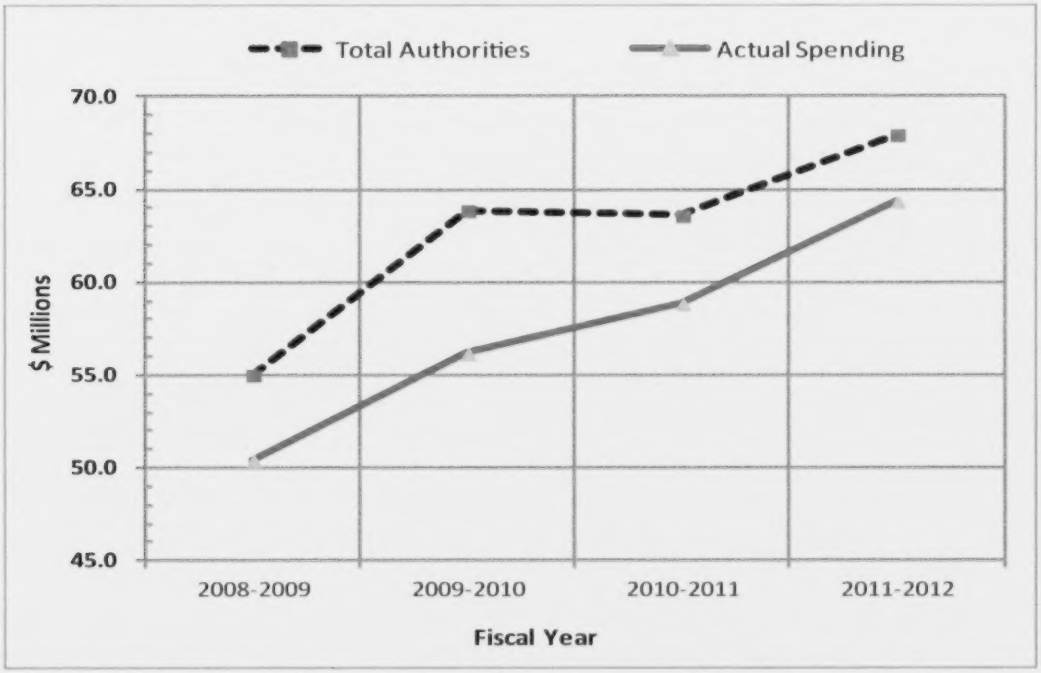
Strategic Environmental Assessment

The NEB is in compliance with the *Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals*.[4]

Expenditure Profile

The NEB is funded through parliamentary appropriations. The Government of Canada recovers approximately 90 per cent of the appropriation from the regulated industry. The revenues are deposited directly into the Consolidated Revenue Fund. This process is regulated by the *National Energy Board Cost Recovery Regulations* under the NEB Act.

Spending Trend



Total Authorities increased due to a receipt, at year end, of $2.8 million in allowances for the Collective Agreement to cover the period of 1 November 2011 to 31 March 2012. A further $1.6 million was received from Natural Resources Canada for the Arctic Review.

Actual Spending was less than the total authorities due to the Participant Funding Program under spending by $1.1 million, a competitive hiring market resulting in salary under spending by $1.1 million, and rescheduling of planned hearings resulting in $0.8 million in under spending.

Estimates by Vote

For information on the NEB's organizational Votes and/or statutory expenditures, please see the *Public Accounts of Canada 2012 (Volume II)*. An electronic version of the Public Accounts 2012 is available on the Public Works and Government Services Canada's website.[5]

Section II
Analysis of Program Activities by Strategic Outcome

Strategic Outcome

The Board has one strategic outcome: Safe and secure pipelines and power lines built and operated in a manner that protects the environment and enables efficient energy markets. To support the successful delivery of the NEB's strategic outcome, the Board has two program activities: Energy Regulation and Energy Information. This section describes the targets for each program, and performance achieved against each indicator and target. Information is also provided on the financial and human resources dedicated to each program area.

Program Activity: Energy Regulation

This program provides the Canadian public, project proponents and other government agencies with regulation of international and designated interprovincial power lines; construction, operations, and tolls and tariffs on international and interprovincial pipelines; energy trade; and exploration and development in certain frontier and offshore areas. The companies that are regulated by the Board create wealth for Canadians through the transport of oil, natural gas and natural gas liquids, and through the export of hydrocarbons and electricity. As a regulatory agency, the Board's role is to help create a framework which allows these economic activities to occur when they are in the public interest. The public interest is inclusive of all Canadians and refers to a balance of economic, environmental and social interests that change as society's values and preferences evolve over time.

The **Energy Regulation** Program has two program sub-activities:

- **Energy Regulation Development**: This program sub-activity provides the regulatory expectations for applications and compliance with regulatory decisions. To make decisions in the Canadian public interest and to provide regulatory leadership that is responsive, proactive and innovative, the NEB must continually develop, improve and communicate regulations, regulatory and compliance tools, guidance, and processes. Related activities include developing and maintaining Memorandums of Understanding and workplans, providing regulatory and technical expertise through standards associations, and sharing best practices.
- **Energy Regulation Implementation**: This program sub-activity provides assessment and processing of regulatory applications submitted under the Acts administered by the NEB. It also provides regulatory oversight of energy infrastructure and markets through monitoring and enforcement activities. Responsibilities are pursuant to the NEB Act, COGO Act, CPR Act and the Canada Labour Code. Related services include stakeholder engagement and liaison, addressing landowner complaints, and facilitating appropriate dispute resolution.

2011-12 Financial Resources ($ millions)

Planned Spending	Total Authorities	Actual Spending
37.4	38.8	34.9

2011-12 Human Resources (FTEs)

Planned	Actual	Difference
233.9	236.0	2.1

Program Activity Performance Summary

Expected Results	Performance Indicators	Targets	Actual Results
The responsible development and operation of energy infrastructure • NEB-regulated facilities and activities are safe and secure • The environment is protected throughout the lifecycle of NEB-regulated facilities and activities • Canadians benefit from efficient energy infrastructure and markets • The rights and interests of those affected by NEB-regulated facilities and activities are respected	Companies have adequate and effectively implemented safety, integrity and environmental management systems and programs	100% of companies regulated by the NEB have safety, integrity and environmental management systems and programs in place	**Unable to assess** This performance measure was developed in advance of the proposed regulatory change (PRC) to the OPR-99, which provides greater clarity of the Board's expectation that companies follow a management system approach for programs related to safety, security and environmental protection. Although since the coming into force of OPR-99 the Board expected companies to implement management systems, the PRC to the OPR-99 makes it clear to companies that management systems are a legislated requirement. A new performance measure is in development.
	Percent of planned compliance activities completed	100% of planned compliance activities are completed	97% of planned safety, security and environmental compliance activities were completed. The planned compliance activities not completed in 2011-12 have been included in the 2012-13 Plan.
	The Board's regulatory processes are measurably efficient and effective	All NEB service standards for its regulatory services are met[6]	In 2011-12, the NEB met 16 of the 21 regulatory service standards.
	Percent of planned financial regulatory audits completed	100% of planned financial regulatory audits are completed	100% of planned financial regulatory audits were completed.
	Stakeholders are satisfied with NEB processes, information and interaction	80% of stakeholders who provide feedback are satisfied with NEB processes, information and interaction	**Unable to assess** This measure cannot be fully assessed. There was insufficient data to support the analysis. A new performance measure is in development.

Performance Summary and Analysis of Program Activity

The Board's top priorities are the protection of the environment and the safety of the public and the people who build and operate NEB-regulated pipeline facilities. The Board is committed to continual improvement, and to keeping the pipeline industry a safe method of transporting petroleum products. Generally, the NEB performed well against its expected results for the Energy Regulation Program. The following is a report on the activities that the NEB set out to achieve against its expected results.

Safety, Security and Environmental Protection

- There were two fatalities on NEB-regulated pipelines in 2011-12 which is above the 3-year average of 0.7.
    - In both cases the fatalities were occupational health and safety incidents under joint jurisdiction with the province. The NEB's target is zero fatalities—any fatality is unacceptable to the Board.
- There were also four serious injuries, down from the 3-year average of six but still above the NEB's annual target of zero.
- There were no pipeline ruptures in 2011-12. This is a decrease from the 3-year average of two ruptures per year.
- There were two major liquid releases (>100 m3) in 2011-12. This is an increase from the 3-year average of one major liquid release per year.
- The number of reported unauthorized activities in 2010-11 was 88 and in 2011-12 was 77. The 3-year average is 100.

The Board uses data collected through its compliance verification (e.g. inspections and audits) and compulsory reporting of environmental and safety incidents by regulated companies under the OPR-99 to manage its compliance oversight activities and inform its regulatory development. Injury frequencies, incident trends, compliance activity scorecards and other indicators help the NEB identify where improvement is needed. In addition, the NEB follows up on every reported incident to determine whether company corrective actions are appropriate. When required, the NEB takes direct action. In 2011-12, the Board:

- Ordered pressure restrictions for five pipelines as a precautionary measure to mitigate safety concerns.
- Reviewed and approved the completion of three Incident Remediation Action Plans.
    - In May 2011, the NEB released the *Remediation Process Guide* for spill clean-up. The remediation guide was drafted following extensive consultation and provides industry with a clear process for submitting appropriate remediation information to the NEB.
- In February 2012, the NEB released a plan for improving regulatory clarity in its damage prevention framework to help encourage cooperation, safety education and compliance with requirements.
- In 2011-12, the NEB completed 143 planned compliance activities in five main compliance programs: environment, integrity, safety, security and emergency management. A further 359 demand-driven compliance verification activities were completed during the same period.

The rights and interests of those affected by NEB-regulated facilities are respected

The Board operates under a variety of acts, regulations, rules, guidelines, guidance notes and memoranda of guidance. Furthermore, the NEB continues to work on initiatives related to its operating framework to ensure that the rights and interests of those affected by NEB-regulated facilities and activities are respected.

- The Filing Requirements for Arctic Offshore Drilling, a companion document to *Review of Offshore Drilling in the Canadian Arctic*, was published in December 2011. The publications followed several months of extensive consultation carried out across the North during the NEB's Arctic Review.
- The Board concluded its project to update the Environmental and Socioeconomic Assessment (ESA) section of its *Filing Manual* for pipeline applications. The revisions resulted in an improved understanding of the ESA review process and clarification of the Board's expectations for filings. Over 50 individuals and organizations participated in the process, including environmental non-government organizations, Aboriginal groups, other federal departments, provincial or territorial governments, academics, regulated companies, environmental planners, consultants and other industry-related organizations.
    - There were nine additional minor amendments made to the *Filing Manual* to refine language and improve formatting.
- In August 2011, the NEB had Ipsos Reid conduct a survey of 1,200 landowners with NEB-regulated pipelines on their land. The purpose of the survey was to collect information to help the NEB assess the appropriateness of its programs and plan for improvements.
    - The survey found that 71 per cent of the respondents were satisfied with the amount of contact from the NEB. While 69 per cent of respondents reported satisfaction with the information and publications they had received from NEB, few had visited the NEB website and, of those that did, 29 per cent said it was difficult to navigate. The NEB is acting on these findings to enhance its tools and services for stakeholders.
- The NEB followed through on its commitment to develop new guidance promoting safe pipeline crossings related to agricultural activities.

The NEB signed three Memoranda of Understanding with two other federal entities to improve efficiencies and share expertise.

- Canadian Transportation Accident Investigation and Safety Board - Coordination of activities with respect to occurrences, including investigation procedures and practices and requirements for reporting occurrences, and providing for conflict resolution procedures - August 2011
- Transport Canada - Environmental Assessments for Project Applications filed under the *National Energy Board Act* - 30 January 2012
- Transport Canada - To promote marine security in areas under NEB jurisdiction - 9 February 2012

Canadians benefit from efficient energy infrastructure and markets

The NEB promotes efficient energy infrastructure and markets by regulating international and interprovincial pipeline and electrical transmission facilities, pipeline tolls and tariffs, and energy imports and exports. The NEB continually monitors the effectiveness and efficiency of its regulatory processes. One way the Board does this is through service standards that identify specific delivery timelines for key services. Meeting service standard targets consistently and with quality results reflects the NEB's commitment to efficient and effective regulatory processes.

The basis of the NEB's approach for authorizing exports is to ensure that Canadians have access to Canadian-produced energy commodities on terms and conditions at least as favourable as those available to export buyers. To evaluate this, the NEB monitors the market and reports on its findings. In 2011-12, Canadian market prices remained well connected to continental prices.

For natural gas and oil pipeline transportation systems to work well, there must be adequate pipeline capacity in place to move products to consumers who need them. Furthermore, pipeline companies must have adequate financial strength to attract capital on terms that allow them to build infrastructure, maintain their systems, and provide services at a reasonable cost. The NEB-regulated pipeline sector in 2011-12 was financially sound. Credit ratings continued to be investment grade and companies which raised capital did so on reasonable terms.

Lessons Learned

Results from the 2011 Landowner Survey are being used to help shape the NEB's ongoing Safety and Environment Action Plan initiative. As part of the plan, the NEB is in the process of making a regulatory change clarifying the Board's expectation that companies follow a management system approach for programs related to safety, security and environmental protection. This approach is being used throughout the lifecycle of a pipeline system. To enhance our communications with stakeholders, the NEB is working to restructure its website in order to make information easier to find. However, because only 37 per cent of landowners reported having access to the Internet at this time, the NEB will enhance its direct communication with stakeholders and will continue to seek their input through the Land Matters Group Initiative. The NEB is also working to make publications easier to understand by reviewing and revising its materials and making changes where necessary.

Notwithstanding the safety record of NEB-regulated pipelines, the Board has noticed an increased trend in the number and severity of incidents being reported by NEB-regulated companies in recent years. Part of the trend is related to improved reporting on the part of regulated companies. The Board introduced new leading performance measures that support the use of management systems by the pipeline industry for anticipating, preventing, managing and mitigating issues that can affect safety, security and environmental protection. The requirement to report on the new performance measures is in addition to current reporting required under the *Onshore Pipeline Regulations, 1999* and the *Pipeline Crossing Regulations, Part I and Part II*. This is a component of the

broader Action Plan on Safety and Environmental Protection that helps address the desire that Canadians have for more information on what the NEB is doing to ensure companies are complying with our requirements and being held accountable.

The NEB met 16 of the 21 regulatory service standards. Where the Board did not meet its service standard targets, the processes and resource allocations were reviewed to ensure future success.

Program Activity: Energy Information Program

This program provides the Board, industry, policy makers, and the Canadian public with energy industry and market surveillance, including the outlook for supply and demand of energy commodities in Canada, to assist in decision making regarding energy infrastructure and markets. This program informs Canadians on energy market developments and issues related to the Board's regulatory mandate, which are primarily in the gas, oil and electricity market sectors, and under Part VI of the NEB Act by providing market analysis to determine whether Canadians are able to access energy at fair market prices.

2011-12 Financial Resources ($ millions)

Planned Spending	Total Authorities	Actual Spending
5.0	8.2	8.2
Changes to reporting resulted in a variance between salary planning and cost capturing against the Energy Information Program. Actions have been taken such that only conventional variances will be incorporated in the future.		

2011–12 Human Resources (FTEs)

Planned	Actual	Difference
31.4	40.0	8.6

Program Activity Performance Summary

Expected Results	Performance Indicators	Targets	Actual Results
Timely, objective and independent energy information that enables informed decisions regarding energy markets and infrastructure	Feedback from internal and external clients on Energy Information Program products via questionnaires after stakeholder consultations, comment cards with publications, interviews with clients	80% of feedback from clients indicates they find Energy Information Program products useful and relevant	Based on formal survey from the Energy Futures Consultations, 92% rated the materials clear and logical; 85% found the consultations valuable. Attendees at the Canadian Association of Members of Public Utility Tribunals Regulators (CAMPUT) conference assigned a rating of 86% to the overall Energy Futures presentation and relevance of information. 100% of internal clients rated the Energy Speaker Series sessions relevant and useful to their work.

Expected Results	Performance Indicators	Targets	Actual Results
	NEB website provides timely and relevant energy market information	5% increase in visits to content on the NEB website from the previous year	Target met: Year-over-year web hits increased from 470,675 in 2010-11 to 520,061 in 2011-12.

Performance Summary and Analysis of Program Activity

The NEB collects and analyzes information about Canadian energy markets through regulatory processes and market monitoring in order to support the Board's regulatory program, and to provide public information that helps policy makers, industry and Canadians make better decisions.

The Energy Information webpage had over 520,000 web hits in 2011-12, a ten per cent increase over the previous year. During the year, the NEB published and distributed three Energy Market Assessments; two Energy Briefing Notes; two Energy Facts reports and Winter and Summer Energy Outlooks. Of note, the NEB published *Canada's Energy Future: Energy Supply and Demand Projections to 2035*, which received extensive media coverage by traditional and social media outlets following the report's release.

Lessons Learned

In 2011-12, the Energy Information Program (EIP) continued to provide timely and relevant energy information to Canadians. The program focused on developing key products that would best meet the needs of Canadians. Three planned products, the 2012 Energy Futures Conference, Top 10 Stories 2011, and the Crude Oil Supply Costs Energy Briefing Note did not proceed in recognition of workload pressures. The Energy Futures Backgrounder was rescheduled for release in 2012-13.

Further, the EIP is focusing efforts on redesigning its webpage. The goal is to ensure that the program continues to effectively inform the public and government on key energy matters in a clear, concise and easily accessible way.

Program Activity: Internal Services

Internal Services are groups of related activities and resources that are administered to support the needs of programs and other corporate obligations of an organization. These groups are: Management and Oversight Services; Communications Services; Legal Services; Human Resources Management Services; Financial Management Services; Information Management Services; Information Technology Services; Real Property Services; Materiel Services; Acquisition Services; and Travel and Other Administrative Services. Internal Services include only those activities and resources that apply across an organization and not to those provided specifically to a program.

2011-12 Financial Resources ($ millions)

Planned Spending	Total Authorities	Actual Spending
20.7	21.0	21.3

2011–12 Human Resources (FTEs)

Planned	Actual	Difference
128.3	117.0	(11.3)

Performance Summary and Analysis of Program Activity

The NEB's Internal Services program requires sound business management and effective decision-making to ensure that the organization has the people, business processes, technologies, facilities and financial resources available to carry out its mandate.

The NEB continued to strengthen operations thereby ensuring it remains a flexible and efficient organization able to meet new and ongoing priorities.

- The Regulatory Leadership Group developed a new framework, the Regulatory Resourcing Framework, to better manage resources on regulatory matters including hearing and non-hearing applications, compliance verification activities, regulation work and more.
- The NEB updated its People Strategy with people-related priorities including work-life balance, engagement and leadership.
  - The Talent Management Framework was finalized and implemented. Key elements under the framework are learning and development.
  - Respectful Workplace Training was completed by the majority of NEB staff, leaders and Board Members.
  - Steps to integrate the Board's strategic and business planning processes into a Human Resources plan are underway.
- There was continued success in creating a positive work environment.
  - The NEB was named one of Canada's Top 100 Employers for 2011.
  - Internal work-life balance survey results were positive.
- Monitoring and reporting of corporate performance was enhanced by the adoption of a quarterly balanced scorecard.

Lessons Learned

While a Human Resources plan is an essential management tool, it also provides transparency for staff regarding the organization's staffing plans, how staffing will be conducted, and potential career or developmental opportunities. Further, management initiatives such as integrated planning and the Regulatory Resourcing Framework provide the NEB with the information and flexibility it needs to operate efficiently.

Section III
Supplementary Information

Financial Highlights

During 2011, amendments were made to *Treasury Board Accounting Standard 1.2 – Departmental and Agency Financial Statements* to improve financial reporting by government departments and agencies. The amendments are effective for financial reporting of fiscal years ending March 31, 2012, and later. The significant changes to the NEB's financial statements are described below. These changes have been applied retroactively, and comparative information for 2010-11 has been restated.

Net debt (calculated as liabilities less financial assets) is now presented in the Statement of Financial Position. Accompanying this change, the NEB now presents a Statement of Change in Net Debt and no longer presents a Statement of Equity.

Revenue and related accounts receivable are now presented net of non-respendable amounts in the Statement of Operations and Departmental Net Financial Position and Statement of Financial Position. The effect of this change was to increase the net cost of operations after government funding and transfers by $64,944,000 for 2012 ($65,260,000 for 2011) and decrease total financial assets by $25,446 for 2012 ($29,035 for 2011).

The most significant change in the Statement of Financial position relates to liabilities and, specifically, Other Payables which represents the balance at year-end of Greenfield fees that have been invoiced to external parties. These amounts are recognized as adjustments to other regulated parties and will be settled via reduced billings in 2012.

Condensed Statement of Financial Position (Unaudited)

As at March 31, 2012

($ millions)

	Change %	2011-12	2010-11
Total net liabilities	111.5%	33.2	15.7
Total net financial assets	19.7%	7.3	6.1
Departmental net debt	169.8%	25.9	9.6
Total non-financial assets	19.3%	6.8	5.7
Departmental net financial position	(389.7)%	(19.1)	(3.9)

Condensed Statement of Operations and Departmental Net Financial Position (Unaudited)

For the Year Ended March 31, 2012

($ millions)

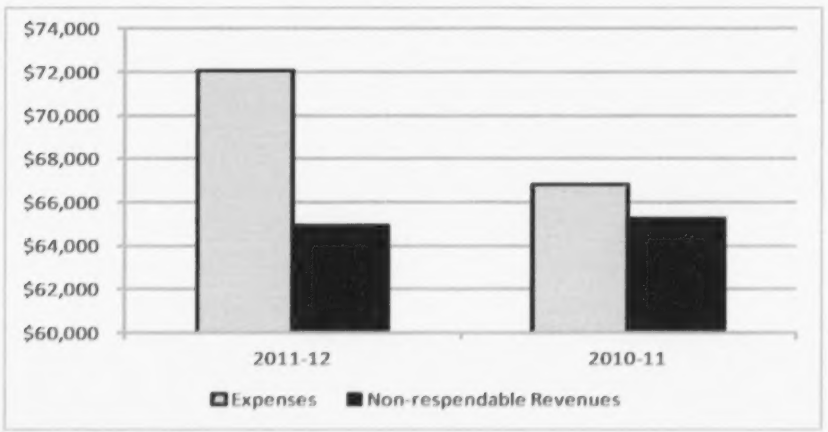
	Change %	2011-12	2010-11
Total expenses	7.9%	72.1	66.8
Total revenues		-	-
Net cost of operations before government funding and transfers	7.9%	72.1	66.8
Departmental net financial position	(389.7)%	(19.1)	(3.9)

Financial Highlights—Charts and Graphs

Due to the amendments to the *Treasury Board Accounting Standard 1.2 Departmental and Agency Financial* Statements, revenue and related accounts receivable are now presented net of non-respendable amounts in the Statement of Operations and Departmental Net Financial Position and Statement of Financial Position. The following graph compares the non-respendable revenues collected by the NEB on behalf of Government to the Expenses of the NEB for 2011-12 and 2010-11. A change in the accounting treatment for the billing adjustment that was implemented in 2009-10 continued to impact the non-respendable revenue for 2010-11 but has stabilized to a normal trend in 2011-12.

Non-respendable Revenues vs. Expenses

(000's)



Financial Statements

The NEB's Financial Statements can be found on the NEB's website.[7]

List of Supplementary Information Tables

Electronic supplementary information tables listed in the 2011–12 Departmental Performance Report can be found on the Treasury Board of Canada Secretariat's website.[8]

- Greening Government Operations
- Internal Audits and Evaluations
- Sources of Respendable and Non-Respendable Revenue

Section IV
Other Items of Interest

Organizational Contact Information

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Additional Information

NEB Strategic Plan

The NEB's Strategic Plan is available on the NEB's website.[9]

NEB Annual Report

For more information on the NEB's activities in 2011, the NEB's 2011 Annual Report is available on the NEB's website.[10]

Endnotes

[1] Type is defined as follows: previously committed to—committed to in the first or second fiscal year prior to the subject year of the report; ongoing—committed to at least three fiscal years prior to the subject year of the report; and new—newly committed to in the reporting year of the *Report on Plans and Priorities* or the *Departmental Performance Report*.

[2] National Energy Board. *Canadian Energy Overview 2011*, July 2012

[3] All statistics in this report are reported based on the fiscal year. Statistics in other NEB publications, such as the Annual Report and Safety Performance Indicator reports, are based on the calendar year. This affects comparability of data between publications.

[4] The *Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals*, http://ceaa.gc.ca/default.asp?lang=En&n=B3186435-1

[5] The Public Accounts 2012, http://www.tpsgc-pwgsc.gc.ca/recgen/txt/72-eng.html

[6] NEB Service standards, http://www.neb-one.gc.ca/clf-nsi/rthnb/whwrndrgvrnnc/nbsrvcstndrd/nbsrvcstndrd-eng.html

[7] NEB Financial Statements, http://www.neb-one.gc.ca/clf-nsi/rpblctn/rprt/dprtmntlprfrmncrprt/dprtmntlprfrmncrprt-eng.html

[8] Treasury Board of Canada Secretariat, http://www.tbs-sct.gc.ca/dpr-rmr/2011-2012/index-eng.asp

[9] NEB Strategic Plan, http://www.neb-one.gc.ca/clf-nsi/rthnb/whwrndrgvrnnc/strtgcpln-eng.html

[10] NEB Annual Report, http://www.neb-one.gc.ca/clf-nsi/rpblctn/rprt/nnlrprt/nnlrprt-eng.html